

# PRELIMINARY DRAFT Subject to revision NOT FOR QUOTATION OR ATTRIBUTION

"PUBLIC DIPLOMACY," "PROJECT DEMOCRACY," AND CONTRA AID

## I. BACKGROUND

### A. "Public Diplomacy"

The Reagan Administration has always emphasized the policy role of what it calls "public diplomacy." Previous Administrations since the mid-1960s had adopted the term as a more palatable alternative to "propaganda" to characterize the overseas information and cultural exchange programs of the United States Information Agency (USIA). Such programs can be traced back to the Truman Administration, when the remnants of wartime propaganda operations were folded into the Department of State.

The actual term, "public diplomacy," was coined by Dean Edmund Gullion of the Fletcher School of Law and Diplomacy at Tufts University in connection with the founding of Fletcher's Edward R. Murrow Center of Public Diplomacy in 1965.<sup>1</sup> Since USIA's role overseas was that of a Government agency communicating openly or publicly with foreign peoples, it was contrasted with more traditional government-to-government "private" diplomacy. However, the term took on a new and broader connotation under the Reagan Administration. It was seen as including domestic as well as overseas efforts to build support for Administration policies, especially those dealing with the Central American initiative.

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<sup>1</sup>Letter to Joel Woldman from Katherine Wyman, Secretary to Dean Gullion, dated Sept. 13, 1974.

This significant reinterpretation of the concept is clear from the Administration's definition of the term in the 1983 National Security Decision Directive 77 outlining a new organization and planning structure for U.S. public diplomacy efforts: "public diplomacy is comprised of those actions of the U.S. Government designed to generate support for our national security objectives."<sup>2</sup> Carnes Lord, a former member of the NSC staff intimately involved with the Reagan Administration's public diplomacy effort, has described the transformation of the concept:

As it has come to be used in the Reagan administration, public diplomacy encompasses not only informational and cultural activities, but all public or (in a broad sense) political aspects of foreign policy--speeches, trips, and other public appearances by the President and other senior officials, and the support and cultivation of political groups and forces abroad that may serve the long-term interests of the United States and the West generally. And because it has involved the doings and words of high officials, public diplomacy has inevitably tended to extend itself into the domestic arena as well [emphasis added].<sup>3</sup>

It might be noted at this point that there may be some connection between the Administration's redefinition of the term "public diplomacy"--especially its use in "educating" the American public--and the longstanding statutory prohibition on the domestic dissemination by the U.S. Information Agency (USIA) of its materials to the American people. Under the terms of section 501 of the Smith-Mundt Act (the United States Information and Educational Exchange act of 1948, as amended--P.L. 80-402), USIA and its predecessor agencies have been enjoined from propagandizing the American people.

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<sup>2</sup>National Security Decision Directive 77 on Management of Public Diplomacy Relative to National Security, as quoted in U.S. Congress. House. Committee on Foreign Affairs and Subcommittee on International Operations. Hearings [Mar. 3, 1983] and Markup on H.R. 2915, Foreign Relations Authorization for Fiscal Years 1984-85. 98th Cong. 1st Sess. Washington, U.S. Govt. Print. Off., 1984: 131-132.

<sup>3</sup>Lord, Carnes. In Defense of Public Diplomacy. Commentary. April 1984: 42.

## B. The Democracy Initiative

Early in the Reagan Administration, the view developed in the National Security Council (NSC) and the Department of State that the U.S. Government was not doing enough to encourage democratic forces and institutions in other countries. President Reagan delivered a speech on the subject to members of the British Parliament in London on June 8, 1982. His major emphasis was that the United States should work to build "the infrastructure of democracy . . . which allows a people to choose their own way, to develop their own culture, to reconcile their own differences through peaceful means."<sup>4</sup>

The London speech was the first step in a U.S. Government effort to publicize and implement the President's "democracy initiative," as it came to be called. A cabinet-level meeting took place August 3, 1982, to discuss a Government organizational structure for a public diplomacy program to achieve these goals. Although the meeting reportedly considered Central Intelligence Agency (CIA) involvement and unspecified covert activities, the New York Times reported on February 3, 1983,<sup>5</sup> that then Deputy Nation Security Adviser Robert C. McFarlane subsequently announced that such plans would not be implemented because of the predictably negative impact they might have on the success of the total program.

Four years later, however, on February 15, 1987, the New York Times published a different version of the 1983 McFarlane interview, stating that the Administration had decided at the August 3, 1982, cabinet-level meeting that the democracy initiative (part of which would later be called "Project Democracy") would indeed have a covert side operated from the National Security

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<sup>4</sup>U.S. President (Reagan). Speech before British Parliament, June 8, 1982.

<sup>5</sup>Gerth, Jeff. Problems in Promoting Democracy. New York Times. Feb. 4, 1983.

Council.<sup>6</sup> The participants in the meeting allegedly discussed CIA involvement and some means of "liberalizing" law and executive order to permit covert action on a broader scale by the CIA and the NSC-level National Security Planning Group (NSPG). However, McFarlane allegedly commented that Project Democracy's covert side would be run from the NSC because CIA involvement would "destroy" the entire program.

C. National Security Decision Directive 77

One of the results of these deliberations was the issuing in January 1983 of National Security Decision Document (NSDD) 77, an NSC policy paper on the management of public diplomacy "relative to national security". Although NSDD-77 is classified, an unclassified version, released in March 1983, described the following basic organizational structure:<sup>7</sup>

1. A Special Planning Group (SPG) responsible for overall planning, direction, coordination, and monitoring of public diplomacy activities;
2. Four interagency standing committees reporting regularly to the SPG:
  - a. The Public Affairs/Nuclear Committee, to plan and coordinate on a regular basis U.S. Government domestic public affairs activities relating to foreign policy and national security issues (including countering the U.S. nuclear freeze movement);
  - b. The International Information Committee, to plan, coordinate, and implement international information activities in support of U.S.

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<sup>6</sup>Brinkley, Joel. Iran Sales Linked to Wide Program of Covert Policies. New York Times, Feb. 15, 1987: 20.

<sup>7</sup>As quoted in U.S. Congress. House. Committee on Foreign Affairs and Subcommittee on International Operations. Hearings [Mar. 3, 1983] and Markup on H.R. 2915, Foreign Relations Authorization for Fiscal Years 1984-85. 98th Cong. 1st Sess. Washington, U.S. Govt. Print. Off., 1984. p. 131-132.

policies and interests, and coordinate and monitor implementation of strategies on specific functional and geographic areas;

c. The International Political Committee, to plan, coordinate, and implement international activities in support of U.S. policies and interests, including the interagency effort to support the growth of democracy abroad. It provides the nexus for the policymaking and information functions and formulates broad public diplomacy strategies for key issues and interests. It was empowered to make recommendations and, as appropriate, to direct the concerned departments and agencies to implement political action strategies in support of key policy objectives; and

d. The International Broadcasting Committee, to plan and coordinate U.S. international broadcasting activities.

NSDD-77 also noted that "public diplomacy activities involving the President or the White House will continue to be coordinated with the Office of the White House Chief of Staff."<sup>8</sup> It observed that the NSC staff, in consultation with the regular members of the SPG, would provide staff support to the SPG and facilitate effective planning, coordination, and implementation of plans and programs of the four committee chairmen or their designees to insure inter-committee coordination.

In terms of subsequent developments relating to activities by NSC staffers, especially those of Lieutenant Colonel Oliver North, to aid the Nicaraguan resistance ("contras"), it might be relevant to note that this early 1983 document charges the International Political Committee (IPC) with responsibilities for "aid, training and organizational support for foreign governments and private groups [emphasis added] to encourage the growth of

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<sup>8</sup>Ibid., p. 131.

democratic political institutions and practices."<sup>9</sup> Further, NSDD-77 observed that the political activities in which the IPC might engage included:

close collaboration with other [U.S.] foreign policy efforts--diplomatic, economic, military--as well as a close relationship with those sectors of American society--labor, business, universities, philanthropy [emphasis added], political parties, press--that are or could be more engaged in parallel efforts overseas [emphasis added].<sup>10</sup>

It is unclear whether or not there was any organic connection between this early blueprint for public diplomacy efforts and subsequent controversial developments, especially those "privatized" or "parallel" operations uncovered by the Tower Board and the joint House-Senate Iran/contra investigations and hearings. Yet Oliver North was reportedly named head of Project Democracy's covert arm in October 1983, after McFarlane was appointed National Security Adviser.<sup>11</sup>

## II. THE PLAN IN ACTION

Among the concrete results of the issuing of NSDD-77 were the establishment outside Government of the National Endowment for Democracy and the creation within the Department of State of two new offices charged with "public diplomacy" responsibilities.

### A. Project Democracy and The National Endowment for Democracy

The executive branch originally responded to the President's democracy initiative by proposing a new \$65 million USIA program for Fiscal Year 1984 to

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<sup>9</sup>Ibid., p. 132.

<sup>10</sup>Ibid.

<sup>11</sup>Brinkley, Joel. Iran Sales Linked to Wide Program of Covert Policies. New York Times, Feb. 15, 1987: 20.

be called "Project Democracy." Congress disagreed with this plan and authorized instead the establishment of a bipartisan, private (although largely Government-funded), non-profit corporation called the National Endowment for Democracy (NED). The NED was intended to help build the "infrastructure of democracy" in countries with weak or poorly functioning democratic political systems.

The President subsequently supported this move. Although opinion in Congress was divided on the usefulness of such an entity, it had powerful backers in both parties and both chambers and was successfully, if somewhat tentatively launched in 1983.<sup>12</sup> It has survived repeated efforts by critics in both Houses, both parties, and from both liberals and conservatives, to halt continued Federal funding of its operations.

The NED organized four "institutes" defining its major areas of operations—the AFL-CIO Free Trade Union Institute (FTUI), the National Democratic Institute for International Affairs (NDIIA), the National Republican Institute for International Affairs (NRIIA), and the Center for International Private Enterprise (CIPE). The Endowment makes grants to the institutes, which are known as the "core grantees." They, in turn, make grants to individual recipients. In addition, NED also makes some grants to other groups engaged in the broad panoply of activities subsumed under building democracy abroad.

The trade union institute receives the largest share of NED funds, but the party institutes have been the most controversial. Some critics feared that the parties would use the institutes' budgets as "slush funds" and numerous safeguards have been written into law during the years since 1983 to prevent this. NED budgets have ranged from \$18 million in FY 1984 to \$15 million in FY

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<sup>12</sup>For a more detailed discussion of the development of the NED, including its legislative history, see Joel M. Woldman, The National Endowment for Democracy, CRS Issue Brief 83107, (archived 1/20/87, updated 4/2/87).

1987.

NED grants have drawn congressional fire more than once since the Endowment began functioning. In 1986, NED made three grants totalling \$351,500 to the group PRODEMCA, which states that it supports "democracy, human rights, and social justice in Central America."<sup>13</sup> The grants were subsequently criticized because PRODEMCA also inserted newspaper advertisements supporting military aid to the contras in the New York Times, the Washington Post, and the Washington Times costing \$63,748.<sup>14</sup>

USIA, the agency whose budget includes NED funds and which passes through appropriated funds to NED, audited PRODEMCA's bank accounts for the period and concluded that the funds for the advertisements were drawn from separate funds derived from private contributions. Yet some critics claimed that the funds of an organization were essentially fungible and that the distinction between private source and NED-source funds was an artificial one. They concluded that it was somehow improper for PRODEMCA to be receiving appropriated funds for a particular purpose and pursue support of the contras in the U.S. press at the same time. Some of them later questioned whether there might be any kind of covert connection between these PRODEMCA activities and Administration efforts to build public support for the contras as part of the "public diplomacy" initiative.<sup>15</sup>

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<sup>13</sup>Audit Report on the Use of Funds Granted by the National Endowment for Democracy to Friends of the Democratic Center in Central America [PRODEMCA], as quoted in U.S. Congress. Committee on Foreign Affairs. Subcommittee on International Operations. Oversight of the National Endowment for Democracy. Hearings. May 14 and 20, June 11, 1986. Washington, U.S. Govt. Print. Off., 1986. p. 279.

<sup>14</sup>Ibid.

<sup>15</sup>NED also has been criticized in the past because its funds found their way in 1984-1985 to right-wing French groups dedicated to the overthrow of the Mitterand government and for alleged interference in elections in Panama in (continued...)



## B. Public Diplomacy at the State Department

"Public diplomacy" offices were established at the Department of State in July 1983, reportedly because of White House dissatisfaction with State's Public Affairs Bureau, which normally would carry out such a function. These included the Office of the Special Adviser to the Secretary on Public Diplomacy (S/PA) and the Office of Public Diplomacy for Central America and the Caribbean (S/LPD). S/PA was given the mandate to act as the principal coordinating element within the Department under the structure set forth in NSDD-77 for all geographic areas except Latin America and the Caribbean.<sup>16</sup> Responsibility for that area lay with the Special Coordinator for Latin America and the Caribbean, later renamed the Office of Public Diplomacy for Latin America and the Caribbean.<sup>17</sup>

Of the two offices, S/LPD had the larger and more sustained role.<sup>18</sup> It was established on White House orders; the Department of State Inspector General's audit report on the Department's special inquiry into contracts with International Business Communications, Inc. (IBC) quotes a White House "Memorandum for [NSC] Special Planning Group Principals" of July 1, 1983, describing how the Latin America Public Diplomacy Office was to be created

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<sup>15</sup>(...continued)

1984. In both cases, the grants were made by NED's trade union institute (FTUI).

<sup>16</sup>U.S. Department of State. Office of the Special Adviser to the Secretary of State for Public Diplomacy (S/PA) [multilithed handout], c. early 1984.

<sup>17</sup>Hereafter this office will be referred to as the Latin American Public Diplomacy Office.

<sup>18</sup>The other public diplomacy office was disbanded when its director resigned and returned to private business.

within the Department.<sup>19</sup> Gerald Helman, a deputy to the Under Secretary of State for Political Affairs, told the House Foreign Affairs Subcommittee on International Operations on July 23, 1986, that the public diplomacy offices at the State Department were established "pursuant to a directive from the NSC and from the President."<sup>20</sup>

The first director of S/LPD later wrote that:

one of the reasons why S/LPD was created at such a high level (the National Security Council) was because, in the opinion of the highest policy makers of the USG, the State Department was simply not performing satisfactorily in communicating to the American people the Administration's policy objectives in Central America. . . . I was informed when the office was created that the President, the Vice President, and others were, to say the least, very upset with the inability of the Executive Branch to publicly communicate with the American people what the USG was doing in Central America.<sup>21</sup>

Similarly, the present director of S/LPD has written that:

the office was founded because public opinion polls showed that the [American] public did not understand Central American issues and events nor did they understand U.S. interests and policies in the region. The major focus of LPD has been to inform the public in the belief that a public which is well-informed and follows the issues will support the policy.<sup>22</sup>

A 1985 article in the Washington Post noted that the office was not subject to the law barring USIA from disseminating information to the American public.<sup>23</sup>

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<sup>19</sup>U.S. Department of State. Office of Inspector General. Audit Report No. 7PP-008. Special Inquiry into the Department's Contracts with International Business Communications and its Principals. July 1987. p. 7. Hereinafter referred to as Audit Report 7PP-008.

<sup>20</sup>U.S. Congress. House. Committee on Foreign Affairs. Subcommittee on International Operations. Oversight of Public Diplomacy. Hearing. July 16, 23; Aug. 6, and Sept. 24, 1986. 99th Cong., 2nd sess. Washington, U. S. Govt. Print. Off., 1987. p. 106.

<sup>21</sup>Audit Report 7PP-008. p. 13.

<sup>22</sup>Ibid. Exhibit C. Memorandum from Coordinator of ARA/LPD dated June 25, 1987. p. 2.

<sup>23</sup>Ibid.

The Latin America Public Diplomacy Office was headed by political appointee Otto Juan Reich, a Cuban-born one-time Miami city official who had previously served with the Reagan Administration in the U.S. Agency for International Development. Although technically part of the State Department, one observer has written that S/LPD was controlled by the Outreach Working Group on Central America of the White House Office of Public Liaison and was overseen for the White House by Lieutenant Colonel Oliver North.<sup>24</sup>

It was set up in mid-1983 with a staff of two. By fiscal year 1986, the staff had grown to 19--9 State Department personnel and 10 non-reimbursable detailees from other U.S. Government agencies, such as the Department of Defense and USIA--and had an annual budget of over \$1 million.<sup>25</sup> Its professional staff produced numerous press releases and other publications and traveled widely making speeches in support of the Administration's Central America policy. In addition, S/LPD brought Central American defectors to the United States to participate in media events.

A recent critical appraisal of the operations of S/LPD observes that it was:

charged with a task that appeared in practice to consist largely of disseminating classified and sometimes "unevaluated" information ("unevaluated" information was that which had not been and in some cases could not be corroborated) tending to support administration contentions about Nicaragua and El Salvador.<sup>26</sup>

Otto Reich wrote in 1987 that S/LPD "broke new ground" in accelerating the declassification of information on developments in Central America and "by obtaining unclassified information which corroborated classified information

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<sup>24</sup>Didion, Joan. Washington in Miami. N.Y. Review of Books. July 16, 1987: 25.

<sup>25</sup>Oman, Joanne. The People Who Sell Foreign Policies. Washington Post. Oct. 15, 1985: A21.

<sup>26</sup>Didion, Washington in Miami: 25.

which could not be declassified because of the source or method of acquisition."<sup>27</sup>

It is clear from additional comments written by Reich after he had relinquished charge of S/LPD to become U.S. Ambassador to Venezuela in 1987 that his understanding of "public diplomacy" and its use by the U.S. Government was--and remains to this day--different from more familiar definitions of the term:

It should also be pointed out that S/LPD was an experimental program. It was the first and for almost two years after its inception the only Office of Public Diplomacy in the State Department (or Executive Branch) [emphasis added]. As a result much of what the office did was brand new and did not have precedent.<sup>28</sup>

If this was an accurate observation, what had USIA been doing since 1951?

Some Members of Congress were uneasy with the "public diplomacy" role played by new offices created on a more or less ad hoc basis to "educate" the American public even before the Iran/contra affair. This is clear from questions raised about possible efforts to circumvent the prohibition on propagandizing the American people and from comments made during a series of hearings on the oversight of public diplomacy in 1986. More than one member of the House Foreign Affairs Committee cautioned the Administration on such operations with a "friendly warning that some people could find it questionable."<sup>29</sup>

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<sup>27</sup>Audit Rept. 7PP-008. p. 15.

<sup>28</sup>Audit Rept. 7PP-008. p. 14-15.

<sup>29</sup>U.S. House. Committee on Foreign Affairs. Subcommittee on International Operations. Hearings on Oversight of Public Diplomacy. July 23, 1986. p. 115.

# 1. Controversial Classified Contract with IBC

The Office for Latin American Public Diplomacy became controversial in early 1987 when it was revealed in the press that in 1986 it had awarded a secret contract for \$276,186 to International Business Communications, Inc., a public relations firm that had worked with Oliver North to rally public support for the Nicaraguan contras. The contract came under review because it was signed September 2, 1986, eleven months after its effective date of October 1, 1985, and because it was classified SECRET.

The audit by the State Department Inspector General revealed that S/LPD had let some seven contracts and purchase orders totalling \$441,084 between February 14, 1984, and September 30, 1986, with IBC, Frank Gomez (one of IBC's principals), or the Institute for North-South Issues (INSI), another Gomez company. In addition, funds belonging to IBC were at various times transferred directly or through another Miller/Gomez corporation called Intel-Cooperation to Richard Secord's Swiss bank account in the name of Lake Resources, Inc. INSI also received grants totalling nearly \$500,000 from the National Endowment for Democracy, but NED cancelled the grants when INSI's possible connections to the Iran/contra affair were publicized.

Both IBC and INSI were controlled by Gomez and Richard R. Miller; the two men were linked with Carl R. "Spitz" Channell in his efforts to solicit funds to support the contras. Channell named Miller as an alleged co-conspirator when he (Channell) pleaded guilty on April 29, 1987, to conspiring to defraud the U.S. Government in raising funds for his tax-exempt charitable foundation, the National Endowment for the Preservation of Liberty--not to be confused with NED.<sup>30</sup> Miller worked together with Channell in a group of nine companies that

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<sup>30</sup>It is not implausible, however, that someone on the NSC staff familiar with the NED might have had some input into the choice of this name.

were involved in the covert effort to supply arms to the contras. Oliver North referred to the nine as the "Project Democracy companies."

No organic connection has yet been made between North's "Project Democracy" and the Administration's FY 1984 USIA Project Democracy proposal, nor, for that matter between North's efforts and the National Endowment for Democracy. Both the White House and NED President Carl Gershman have strongly disavowed any NED links with North's Iran/contra operations.<sup>31</sup> The only tie thus far uncovered between North and NED was its grant--later cancelled--to the Institute for North-South Issues described above. In addition, the Tower Board, in its Report of February 26, 1987, stated that it had "no information linking the activities described herein as 'Project Democracy' with the National Endowment for Democracy."<sup>32</sup> Nevertheless, it is possible to trace the origins of all these operations to a common policy initiative--the original public diplomacy/democracy structure and program discussed at the August 1982 Cabinet meeting and laid out in NSDD-77.

The contract with IBC was judged by the Department of State Inspector General to have been improperly classified SECRET, not because there was anything of a national security nature in it, but "to avoid publication in the CBD [Commerce Business Daily] and possible challenges to the sole source contractual relationship with IBC."<sup>33</sup> S/LPD Coordinator Otto Reich claimed subsequently that the contract had to be classified because IBC was dealing

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<sup>31</sup>Endowment denies ties to Col. North. Washington Times. Feb. 17, 1987: 2A.

<sup>32</sup>U.S. President's Special Review ["Tower Commission"] Board. Report. Feb. 26, 1987. p. III-22 and C-11.

<sup>33</sup>Audit Report 7PP-008. p. 30.

with Nicaraguan defectors on behalf of S/LPD, "and keeping that relationship secret seemed to be a prudent thing to do."<sup>34</sup>

The Inspector General pointed out that the "same activity had been conducted by IBC under the previous unclassified contract" and that S/LPD "had previously contracted with the U.S. Marshals Service to provide protective services for a Central American defector."<sup>35</sup> It also may be of interest to note that Otto Reich's successor, Robert W. Kagan—who took charge of the office in May 1986 after it had been transferred to the Bureau of Inter-American Affairs (ARA) and given the new office symbol ARA/LPD<sup>36</sup>--has stated that he did not think the contract should have ever been classified.<sup>37</sup>

Moreover, the State Department's Office of Operations/Supply, Transportation, and Procurement (A/OPR/STP) claims that S/LPD:

exploited the situation by entering into unauthorized commitments, selecting the source, deciding upon dollar amounts and relying upon the Contracting Officer to correct the situation on an urgent and compelling basis to facilitate payment. By [S/LPD's] using the Office of the Secretary as a justification, the contracting office was placed in a position of extreme duress, especially when national security issues were cited as a basis for immediate action.<sup>38</sup>

During his testimony before the combined House and Senate Iran/contra investigating committees on July 13, 1987, under questioning by Representative Dante Fascell, Oliver North admitted that he had "inquired into" expediting

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<sup>34</sup>Ibid. p. 10.

<sup>35</sup>Ibid., p. 31.

<sup>36</sup>According to Joanne Omang of the Washington Post, the Latin American Public Diplomacy Office was transferred to the ARA Bureau because Assistant Secretary Elliot Abrams wished to bring it more under his own control. Possible Illegal Lobbying Probed by State Dept. Washington Post. Feb. 14, 1987: A32.

<sup>37</sup>Ibid., Exhibit C, Memorandum from Coordinator of ARA/LPD dated June 25, 1987. p. 4.

<sup>38</sup>Ibid., p. 2.

signing of and payment for the IBC contracts with S/LPD.<sup>39</sup> It also appears that S/LPD threw its bureaucratic weight around--the Inspector General's Audit Report used the term "steamrolled"<sup>40</sup>--the Department in order to pursue its dealings with IBC and Frank Gomez, disregarding appropriate regulations.

The Inspector General's Audit Report found a number of questionable actions taken with regard to the letting of contracts and purchase orders by S/LPD to IBC and S/LPD's acceptance of IBC's performance under these contracts. The report also noted that some of the information on the contract provided by the Department to Congress and its own Public Affairs Bureau press briefer was "inaccurate, incomplete, and misleading."<sup>41</sup> Nevertheless, it would appear that in general, the audit report was drafted in a somewhat diplomatic manner, perhaps so as to minimize the apparently unorthodox and often highhanded behavior of the Office of Latin American Public Diplomacy in fulfilling its objectives. The office appears to have assumed a relatively lower profile since the departure of Reich.

## 2. Alleged Borderline Lobbying Activities

The Inspector General's audit report also looked into widespread allegations of unlawful lobbying by S/LPD staff or spending of contract funds for lobbying activities in support of the Administration's Central America policies. The Inspector General questioned a number of S/LPD's activities which might raise questions as to whether or not lobbying had been conducted,

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<sup>39</sup>U.S. Congress. Joint Hearings on the Iran-Contra Investigation. Continued Testimony of Oliver L. North. [unedited transcript] July 13, 1987. p. 77.

<sup>40</sup>Audit Report 7PP-008. p. 19.

<sup>41</sup>Ibid., p. 2.



especially one cited in an internal State Department memorandum dated June 25, 1985, from the Administrative Officer of S/LPD to the relevant Budget Officer providing information in support of S/LPD's budget request: "During the recent congressional hearings on financial assistance to the freedom fighters in Nicaragua, S/LPD furnished floor speeches and talking papers to Congressional supporters of the President's program."<sup>42</sup>

The report noted that "public diplomacy is separated from lobbying by a thin and complex line."<sup>43</sup> The Inspector General concluded that despite opportunities to conduct prohibited lobbying, "there is no evidence that these officials violated the anti-lobbying statute."<sup>44</sup> Nevertheless, the report includes the comment that "while S/LPD did not violate the lobbying statute, there is considerable evidence, however, that activities were carried out which are very close to the line between authorized informing and unauthorized attempting to influence."<sup>45</sup>

The conclusion that lobbying had not occurred was based on the current interpretation of the statute (18 USC 1913) by the Department of Justice, which holds that violations occur only when appropriated funds are used "to effectuate a grass roots type of campaign directed at influencing a member(s) of Congress."<sup>46</sup>

The Inspector General also found no evidence that IBC had performed lobbying activities for the Department under contract, although it stated that

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<sup>42</sup>Ibid.

<sup>43</sup>Ibid., p. 23.

<sup>44</sup>Audit Report 7PP-008. p. 22.

<sup>45</sup>Ibid. Exhibit B. Memorandum from Former Coordinator of S/LPD dated July 17, 1987. p. 12.

<sup>46</sup>Ibid., p. 23.

its work did not include activities performed by IBC or Frank Gomez for other clients. Evidence was found, however, indicating that S/LPD participated in a group with other organizations and private citizens that performed functions from which it was prohibited.<sup>47</sup> In other words, it took part in an orchestrated campaign in which public relations functions were distributed on the basis of who could and who could not, under law, perform them.

Otto Reich denied that his office had engaged in lobbying and informed the Inspector General that he had been alert from the beginning "that his official public diplomacy functions would put him close to the prohibitions against lobbying contained in the State Department appropriations acts and the anti-lobbying statute."<sup>48</sup> He also requested guidance from the State Department Legal Adviser's office and circulated instructions to his staff in that regard.

### C. Concluding Remarks

S/LPD principals apparently shared some of the views and priorities expressed by John Poindexter and Oliver North during their testimony before the joint Iran/contra committee hearings: the end justified the means and attention to legal and bureaucratic requirements was less important than getting the job done. In addition, they appeared to have been motivated to pursue what they came to call "public diplomacy" efforts because the Administration's Central American policy was not capturing the imagination and support of the American people. They believed that this was so simply because the public was not sufficiently familiar with that policy to understand its basic rectitude. Convinced that their interpretation of "public diplomacy" was the solution to

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<sup>47</sup>Ibid., p. 24.

<sup>48</sup>Ibid., p. 23.

this problem, they could not accept the possibility that the policy was unpopular because the public might consider it misguided.